

- Schedule 100% up to the schedule maximum for listed services for prevention and correction of malocclusion of teeth (schedule maximums to be increased by an average of 10% effective January 1, 1994)
- Lifetime Maximum \$1,400 per individual per lifetime

DMO BENEFITS

(Participation requires the use of only DMO dentists)

(1) Base Coverage: (Not subject to deductible)

- | | | |
|---|--------------------------------|---|
| ■ | Preventive Services | 100% for oral exams, prophylaxis, fluoride treatments and space maintainers |
| ■ | Diagnostic Services | 100% for x-rays, full mouth x-rays and bite wing x-rays |
| ■ | Basic and Restorative Services | 100% for basic minor restorations, oral surgery, endodontics and periodontics; except a 25% copayment for general anesthesia, molar endodontics and certain other procedures; 75% for prosthodontics (major restorations) |
| ■ | Orthodontia | 50% for prevention and correction of malocclusion of teeth |

E. Coordination of Benefits

Benefits are coordinated with other plans so that payments total no more than 100% of covered charges.

F. Retiree Contribution

The entire cost of the plan is paid by Southwestern Bell Corporation.

G. AT&T Cost Sharing

AT&T reimburses Southwestern Bell Corporation for certain claims incurred by pre-divestiture retirees under the Unfunded Benefits Cost Sharing Agreement and the 1983 Force Adjustment Cost Reimbursement and Indemnification Agreement.

Most employees retired prior to 1984 are covered by the Cost Sharing Agreement, which currently reimburses somewhat less than 16% of paid claims. A smaller group is covered under the 1983 Force Adjustment Agreement, for which the reimbursement is 100%. A final group is not reimbursed at all.

II. Other

A. Basic Plan Information

(1) Plan Name: Associated Directory Services, Inc. Group Dental Plan

(2) Plan Sponsor: Associated Directory Services, Inc. and Participating Subsidiaries

B. Eligibility

Regular full-time active management and nonmanagement employees following six months of service and retired employees of Associated Directory Services and Participating Subsidiaries; spouses and other dependents are eligible for company paid coverage only while the retiree is living

SECTION V -- SUMMARY OF PARTICIPANT AND CLAIMS DATA

Participant Data

Southwestern Bell Corporation presently provides postretirement dental benefits for employees of the following corporate entities:

<u>Provided</u>	<u>Not Provided</u>
SBC Administrative Services, Inc.	BVMS, Inc.
SBC Asset Management, Inc.	Golf Club of Oklahoma
Associated Directory Services, Inc.	SB Messaging Services, Inc.
SB Audit Services, Inc.	Metromedia Paging Services, Inc.
SBC Corporate Services, Inc.	SB Mobile Systems, Inc.
SB Interactive Technologies, Inc.	SB Printing Company
SB International Holdings Corp.	Summit Telemarketing, Inc.
SBC Management Services, Inc.	Times Journal Publishing Company
Mast International, Ltd.	Worldwide Directory Product Sales, Inc.
SB Personnel Services, Inc.	
SB Technology Resources, Inc.	
SB Telecommunications, Inc.	
SB Telephone Company	
SB Washington, Inc.	
SB Yellow Pages, Inc.	

Data for active and retired employees as of January 1, 1993 was supplied on computer tape. The total covered employees derived from this tape was as follows:

	<u>Covered</u>	<u>Not Covered</u>	<u>Total</u>
Actives	54,462	4,102	58,564
Retirees	<u>31,518</u>	<u>585</u>	<u>32,103</u>
Total	85,980	4,687	90,667

Active covered employees include individuals who currently do not maintain active coverage but are employed by a corporate entity that provides postretirement coverage. Active employees not covered are individuals employed by a corporate entity that does not provide postretirement dental benefits.

The following participant summaries appear at the end of this section:

Table C:	Active participant age/service distribution
Table D:	Retired participant age distribution
Table E:	Participants by requested corporate groupings

Claims Data

1992 retiree benefit information was provided by Southwestern Bell Corporation through the annual financial statement disclosure and in various supporting reports, as follows:

1.	1992 paid claims and administrative costs per financial statement disclosure	\$ 8,302,318
2.	1992 AT&T reimbursement for claims paid in 1991 to pre-divestiture retirees	<u>\$ 689,273</u>
3.	Net 1992 paid claims and administrative costs per financial statement disclosure: (1) - (2)	\$ 7,613,045
4.	1992 total paid claims per paid-claims report (before AT&T reimbursement)	\$ 7,420,865

The difference between (1) and (4) reflects that fact that (1) represents the total dental premium paid in 1992 with respect to retirees, while (4) represents actual claim payments. The dental premium included a load for administrative expenses as well as a pooling charge with respect to anticipated experience of the combined active and retired group. Claim costs for purposes of the study were developed based on (4) plus a 10% load for administrative charges.

The 1992 AT&T reimbursement amount was adjusted for valuation purposes to \$893,000 to represent the estimated reimbursement in 1993 for claims paid in 1992. AT&T reimbursements for the period 1989 through 1991 were as follows:

<u>Year</u> <u>Claims Paid</u>	<u>Total</u> <u>Claims Paid</u>	<u>Attributed</u> <u>Reimbursement</u>
1989	\$3,334,951	\$1,008,150
1990	4,144,360	577,725
1991	4,547,973	651,783

The adjusted 1992 AT&T reimbursement amount represents the estimated reimbursement for claims paid in 1992 based on experience for the period 1989 through 1991, determined as follows:

1.	Total Claims Paid, 1989 - 1991	\$ 12,027,284
2.	Total Reimbursements, 1989 - 1991	\$ 2,237,658
3.	Reimbursement Percentage: (2) ÷ (1) =	19%
4.	Estimated Total 1992 Claims Paid	\$ 4,700,000
5.	Estimated 1992 Reimbursement: (3) × (4)	\$ 893,000

Table C1

SBC POSTRETIREMENT DENTAL BENEFITS VALUATION**Active Total Participant Summary****January 1, 1993**

<u>Age/ Service</u>	<u>0-4</u>	<u>5-9</u>	<u>10-14</u>	<u>15-19</u>	<u>20-24</u>	<u>25-29</u>	<u>30+</u>	<u>Total</u>
<20	23	0	0	0	0	0	0	23
20-24	686	15	0	0	0	0	0	701
25-29	1,160	559	124	0	0	0	0	1,843
30-34	938	1,079	4,928	101	0	0	0	7,046
35-39	735	632	4,939	5,055	377	0	0	11,738
40-44	594	388	2,657	5,072	6,488	439	0	15,638
45-49	315	215	1,195	1,906	4,131	2,684	125	10,571
50-54	117	109	478	494	921	1,334	818	4,271
55-59	54	61	230	192	323	258	779	1,897
60-64	23	13	63	103	100	61	302	665
65+	<u>1</u>	<u>3</u>	<u>15</u>	<u>11</u>	<u>6</u>	<u>2</u>	<u>31</u>	<u>69</u>
Total	4,646	3,074	14,629	12,934	12,346	4,778	2,055	54,462

Average age: 41.4 years

Average service: 16.8 years

Average annual salary: \$36,279

Table C2

SBC POSTRETIREMENT DENTAL BENEFITS VALUATION
Active Management Participant Summary
January 1, 1993

<u>Age/ Service</u>	<u>0-4</u>	<u>5-9</u>	<u>10-14</u>	<u>15-19</u>	<u>20-24</u>	<u>25-29</u>	<u>30+</u>	<u>Total</u>
<20	2	0	0	0	0	0	0	2
20-24	85	7	0	0	0	0	0	92
25-29	428	233	18	0	0	0	0	679
30-34	317	540	712	28	0	0	0	1,597
35-39	197	305	1,363	1,246	98	0	0	3,209
40-44	156	182	689	1,527	2,061	151	0	4,766
45-49	89	79	373	602	1,268	864	25	3,300
50-54	36	43	125	97	169	286	176	932
55-59	9	17	29	23	20	18	91	207
60-64	4	2	9	5	4	2	20	46
65+	<u>0</u>	<u>0</u>	<u>2</u>	<u>1</u>	<u>1</u>	<u>0</u>	<u>2</u>	<u>6</u>
Total	1,323	1,408	3,320	3,529	3,621	1,321	314	14,836

Average age: 41.0 years

Average service: 16.4 years

Average annual salary: \$52,020

Table C3

SBC POSTRETIREMENT DENTAL BENEFITS VALUATION
Active Nonmanagement Participant Summary
January 1, 1993

<u>Age/ Service</u>	<u>0-4</u>	<u>5-9</u>	<u>10-14</u>	<u>15-19</u>	<u>20-24</u>	<u>25-29</u>	<u>30+</u>	<u>Total</u>
<20	21	0	0	0	0	0	0	21
20-24	601	8	0	0	0	0	0	609
25-29	732	326	106	0	0	0	0	1,164
30-34	621	539	4,216	73	0	0	0	5,449
35-39	538	327	3,576	3,809	279	0	0	8,529
40-44	438	206	1,968	3,545	4,427	288	0	10,872
45-49	226	136	822	1,304	2,863	1,820	100	7,271
50-54	81	66	353	397	752	1,048	642	3,339
55-59	45	44	201	169	303	240	688	1,690
60-64	19	11	54	98	96	59	282	619
65+	<u>1</u>	<u>3</u>	<u>13</u>	<u>10</u>	<u>5</u>	<u>2</u>	<u>29</u>	<u>63</u>
Total	3,323	1,666	11,309	9,405	8,725	3,457	1,741	39,626

Average age: 41.5 years

Average service: 17.0 years

Average annual salary: \$30,385

Table D1

SBC POSTRETIREMENT DENTAL BENEFITS VALUATION**Retired Total Participant Summary****January 1, 1993**

<u>Age</u>	<u>Retired Before 1984</u>	<u>Retired After 1984</u>	<u>Total</u>
<45	0	213	213
45-49	10	1,320	1,330
50-54	22	2,347	2,369
55-59	223	3,203	3,426
60-64	<u>1,739</u>	<u>4,388</u>	<u>6,127</u>
Total <65	1,994	11,471	13,465
65-69	3,671	3,700	7,371
70-74	3,519	1,011	4,530
75-79	2,173	31	2,204
80-84	1,902	0	1,902
85-89	1,478	0	1,478
90+	<u>568</u>	<u>0</u>	<u>568</u>
Total >65	13,311	4,742	18,053
Total All	15,305	16,213	31,518
Average age under 65:	57.8 years		
Average age over 65:	73.7 years		
Average age total:	66.9 years		

Table D2

SBC POSTRETIREMENT DENTAL BENEFITS VALUATION
Retired Management Participant Summary
January 1, 1993

<u>Age</u>	<u>Retired Before 1984</u>	<u>Retired After 1984</u>	<u>Total</u>
<45	0	110	110
45-49	0	1,100	1,100
50-54	5	1,658	1,663
55-59	33	1,544	1,577
60-64	<u>436</u>	<u>1,618</u>	<u>2,054</u>
Total <65	474	6,030	6,504
65-69	907	1,203	2,110
70-74	895	322	1,217
75-79	608	15	623
80-84	570	0	570
85-89	447	0	447
90+	<u>151</u>	<u>0</u>	<u>151</u>
Total >65	3,578	1,540	5,118
Total All	4,052	7,570	11,622
Average age under 65:	55.8	years	
Average age over 65:	73.8	years	
Average age total:	63.7	years	

Table D3

SBC POSTRETIREMENT DENTAL BENEFITS VALUATION
Retired Nonmanagement Participant Summary
January 1, 1993

<u>Age</u>	<u>Retired Before 1984</u>	<u>Retired After 1984</u>	<u>Total</u>
<45	0	103	103
45-49	10	220	230
50-54	17	689	706
55-59	190	1,659	1,849
60-64	<u>1,303</u>	<u>2,770</u>	<u>4,073</u>
Total <65	1,520	5,441	6,961
65-69	2,764	2,497	5,261
70-74	2,624	689	3,313
75-79	1,565	16	1,581
80-84	1,332	0	1,332
85-89	1,031	0	1,031
90+	<u>417</u>	<u>0</u>	<u>417</u>
Total >65	9,733	3,202	12,935
Total All	11,253	8,643	19,896
Average age under 65:	59.6 years		
Average age over 65:	73.6 years		
Average age total:	68.7 years		

Table E

SBC POSTRETIREMENT DENTAL BENEFITS VALUATION
Participants By Corporate Entity
January 1, 1993

	<u>Active</u>	<u>Retired</u>	<u>Total</u>
SBC Asset Management, Inc.	61	7	68
Associated Directory Services, Inc.	355	16	371
SB International Holdings, Inc. / Mast International, Ltd.	55	1	56
SBC Management Services, Inc. and Subsidiaries*	760	61	821
SB Technology Resources, Inc. / SB Interactive Technologies, Inc.	198	1	199
SB Telecommunications, Inc.	851	28	879
SB Telephone Company	49,892	31,147	81,039
SB Yellow Pages, Inc.	<u>2,290</u>	<u>257</u>	<u>2,547</u>
Total	54,462	31,518	85,980

* SBC Administrative Services, Inc.
 SB Audit Services, Inc.
 SBC Corporate Services, Inc.
 SBC Personnel Services, Inc.
 SBC – Washington, Inc.

SECTION VI -- SUMMARY OF ACTUARIAL METHOD

Projected Unit Credit Actuarial Cost Method (Service Prorate)

Expected benefits payable in the event of retirement based on the applicable actuarial assumptions are determined for all active and retired participants. The actuarial present value of these expected benefits constitutes the expected postretirement benefit obligation.

The projected benefits are allocated proportionately to each active participant's years of service through the earliest eligibility for full benefits. The service cost is equal to the actuarial present value of the benefits allocated to the current year; the accumulated postretirement benefit obligation is equal to the actuarial present value of the benefits allocated to all prior years.

The accumulated postretirement benefit obligation for participants currently receiving benefits and for active participants currently eligible for full benefits is the actuarial present value of the benefits expected to be paid. No service costs are calculated for these participants.

SECTION VII -- SUMMARY OF ACTUARIAL ASSUMPTIONS

(1)	Discount Rate	7.5% per year, compounded annually
(2)	Long-Term Asset Return Rate	N/A
(3)	Annual Increase in Dental Claims	Graded; see Exhibit A
(4)	Medicare Trend Rate	N/A
(5)	Medicare Part B Premium Trend Rate	N/A
(6)	Mortality	
	(a) Active Employees	Rates from 1991 6-year experience study (rates shown in Exhibit B of postretirement health report)
	(b) Retired Employees/Spouses	Rates from 1991 6-year experience study (rates shown in Exhibit B of postretirement health report)
(7)	Retirement	Rates from 1991 6-year experience study (rates shown in Exhibit C of postretirement health report)
(8)	Separation from Service	Rates from 1991 6-year experience study (rates shown in Exhibit D of postretirement health report)
(9)	Disablement	None

- | | |
|-----------------------------------|--|
| (10) Salary Increase | Management rates from 1991 5-year experience study; same rates used for nonmanagement employees (Rates shown in Exhibit E of postretirement health report) |
| (11) Marital Status | Rates shown in Exhibit F of postretirement health report |
| (12) Future Retiree Participation | 100% |
| (13) New Entrants | For purposes of the forecast, new entrants were added to maintain a stable population. Average hire age is 31. Average salary at hire increases 5% |
| (14) Administrative Expenses | 1993 claim costs include 10% load for administration |
| (15) AT&T Reimbursements | 19.0% of paid claims for retirees and dependents retired prior to 1984 |

EXHIBIT A
1993 RETIREE ANNUAL CLAIM COSTS
(before AT&T reimbursement)

<u>Age</u>	<u>ADS</u>	<u>Other Subsidiaries*</u>
Under 30	\$168	\$150
30-39	178	169
40-44	180	172
45-49	177	171
50-54	180	175
55-59	178	180
60-64	184	191
65+	199	213

ANNUAL INCREASE IN DENTAL CLAIMS

<u>Year</u>	<u>Rate of Increase</u>
1993	7.25%
1994	7.00
1995	6.75
1996	6.50
1997	6.25
1998	6.00
1999	5.75
2000+	5.50

- * Claim costs were increased 7.5% in 1994 (in addition to the trend increase) in recognition of 1994 plan changes.

SBC POSTRETIREMENT DENTAL BENEFITS VALUATION
Basic Valuation Results – SB Telephone Company
(\$000)

<u>Year</u>	<u>Claims</u>	<u>EPBO</u>	<u>APBO</u>	<u>Assets</u>	<u>Service Cost</u>	<u>Expense</u>	<u>Expense as % of Payroll</u>
1993	\$9,057	\$350,591	\$288,411	\$0	\$6,868	\$28,680 *	1.62%
1994	10,396	368,846	308,037	0	7,191	30,450	1.65%
1995	11,080	387,467	328,091	0	7,409	32,164	1.68%
1996	11,791	407,167	349,175	0	7,685	34,015	1.71%
1997	12,549	427,984	371,398	0	7,780	35,756	1.74%
1998	13,361	449,982	394,606	0	7,873	37,567	1.76%
1999	14,273	473,237	418,813	0	7,552	39,004	1.77%
2000	15,317	497,876	443,545	0	7,316	40,567	1.78%
2001	16,485	523,972	468,794	0	7,222	42,316	1.80%
2002	17,812	551,543	494,626	0	7,184	44,164	1.83%
2003	19,301	580,594	520,977	0	7,127	46,024	1.86%
2004	20,982	611,111	547,699	0	7,000	47,830	1.88%
2005	22,869	643,128	574,547	0	6,681	49,431	1.89%
2006	24,926	676,539	601,109	0	7,101	51,799	1.93%
2007	27,145	711,212	627,983	0	6,883	53,498	1.95%
2008	29,504	747,102	654,335	0	7,449	55,996	1.99%
2009	32,012	784,092	680,827	0	7,679	58,138	2.01%
2010	34,690	822,189	706,954	0	8,126	60,480	2.03%
2011	37,455	861,269	732,744	0	8,935	63,182	2.06%
2012	40,298	901,161	758,471	0	9,902	66,046	2.09%

* Excludes Transition Obligation expense of \$ 288,411,000 taken in 1993

SBC POSTRETIREMENT DENTAL BENEFITS VALUATION
1993 Liability Breakdown – Total Corporation
(dollars in thousands)

	<u>Management</u>	<u>Nonmanagement</u>	<u>Combined</u>
<u>Participation</u>			
Retired	11,622	19,896	31,518
Active	<u>14,836</u>	<u>39,626</u>	<u>54,462</u>
Total	26,458	59,522	85,980
Expected 1993 Claims	\$3,510	\$5,668	\$9,178
<u>EPBO</u>			
Retired	\$62,698	\$83,427	\$146,125
Active	<u>62,597</u>	<u>158,241</u>	<u>220,838</u>
Total	125,295	241,668	366,963
<u>APBO</u>			
Retired	\$62,698	\$83,427	\$146,125
Active	<u>42,154</u>	<u>109,732</u>	<u>151,886</u>
Total	104,852	193,159	298,011
Service Cost	\$2,216	\$5,202	\$7,418

Life Insurance Benefits

SOUTHWESTERN BELL CORPORATION

**ACTUARIAL VALUATION OF
POSTRETIREMENT LIFE INSURANCE**

**TOWERS PERRIN
101 SOUTH HANLEY
ST. LOUIS, MISSOURI 63105**

APRIL 1993

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SECTION I -- INTRODUCTION

Southwestern Bell Corporation (SBC) currently provides basic life insurance benefits to retirees of SBC, Southwestern Bell Telephone Company, Southwestern Bell Yellow Pages, Inc., Southwestern Bell Telecommunications, Inc. and several other subsidiaries. To qualify, an employee must retire under the early, normal or late retirement provisions of the Southwestern Bell Corporation Management Pension Plan, Southwestern Bell Corporation Pension Plan, or applicable subsidiary plan.

Retirees are not required to contribute toward the cost of these benefits; the entire cost is borne by Southwestern Bell Corporation. Such cost is presently funded on an advance basis, with expense in each year equal to the funding contribution.

In December 1990, the Financial Accounting Standards Board issued Financial Accounting Statement No. 106 (FAS 106), **Employers' Accounting for Postretirement Benefits Other Than Pensions**. FAS 106 requires employers, beginning in 1993, to expense postretirement welfare benefits on an accrual basis similar to that now required for pension plans.

The purposes of this actuarial study are to quantify the magnitude of SBC's overall liability for basic postretirement life insurance and to identify the effect of adopting FAS 106 on SBC's income statement. The results of the study have been prepared and presented so that attention may be focused on:

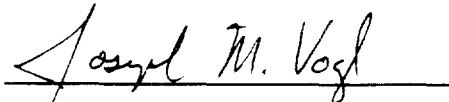
- Liabilities by operating company/subsidiary
- Liabilities for current versus future retirees
- Liabilities for management employees versus nonmanagement employees

The results of this study reflect SBC's decision to adopt FAS 106 in 1993 with full immediate recognition of the transition asset.

Supporting Documentation

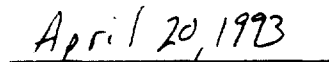
The present study has been based upon the plan provisions briefly summarized in Section IV. Participant and asset information provided by SBC are summarized in Section V. While the information provided has been reviewed for reasonableness, no attempt has been made to audit such information.

The specific actuarial methodology and assumptions underlying this study are presented in Sections VI and VII. We believe the contents of this study comply with the Actuarial Standards Board's actuarial guidelines with respect to FAS 106.



Joseph M. Vogl, F.S.A., M.A.A.A.

Vice President



J. Ronald Parker, A.S.A., M.A.A.A.

Principal

SECTION II -- ACTUARIAL VALUATION RESULTS

Postretirement life insurance claims, liabilities and expense levels were projected for the 20-year period 1993 through 2012. Total corporation results are presented in Table A, while breakdowns by various corporate entities are presented in Appendices A1 through A10.

Claims

The life insurance claims shown include the entire benefit -- not simply the benefit payable from the Retirement Funding Account -- as well as administrative expenses. Claims are expected to increase over the 20-year forecast period, from \$12.1 Million in 1993 to \$17.2 Million in the year 2002 and \$34.8 Million in 2012.

During 1993, 45% of all postretirement life insurance benefits are expected to be received by retirees over age 65. This percentage will change in future years, as illustrated in the following chart:

ALLOCATION OF CLAIMS BY AGE
(Millions)

